

"COULD ANYTHING HAVE BEEN DONE WITH A MORE DELIBERATE PURPOSE TO DECEIVE THE VOTERS OF VERMONT?"—Extract from Sen. Page's Advertisement.

BANK COMMISSIONER WILLIAMS EXPOSES SENATOR PAGE'S BANKING METHODS

Says He Has Insisted for Six Years That Senator Page's Bank Should Comply with the Banking Laws of the State---Charges That Taxes Were Evaded by Senator Page, and That His Advertising Was Misleading.

Under date of July 29, the Rutland Herald published an article under the caption, "Will Mr. Williams Answer?" which contained the following paragraph:

To bring a disagreeable controversy to a focus, will Mr. Frank C. Williams, state bank commissioner, inform the voters whether he has ever had cause to criticize Senator Page's banking methods, (1) regarding the evasion of state taxes, (2) regarding misleading statements in his advertisements, (3) regarding the guarantee by some of the bank's directors of some \$100,000 of the bank's funds, invested outside the state?

Under date of Thursday, Aug. 10th., Mr. Williams addressed the following communication to the editor of the Herald:

"For several weeks I have noticed both items and editorial statements in several Vermont newspapers, charging that the banking methods of the Lamoille County Savings Bank and Trust company, of which Senator Page is president, have been illegal and misleading to the investing public, and very strongly intimating that the bank commissioner had either been negligent in the performance of his duties, or had overlooked the faults in the management of that particular bank. The Morrisville Messenger, answering apparently for Senator Page, stated that the deposits of the bank had not been deceived by the bank's advertisements, and that no improper or illegal practices by the bank had been discovered by the bank commissioner. On August 1 I noticed an editorial in the Brattleboro Reformer, making more specific charges with relation to the practices of the bank, and charging that the bank commissioner has been derelict in his duty, and the Randolph Herald last week stated that 'if the bank's methods were improper, it was the duty of the bank commissioner to proceed.' Not having done so it is too much to expect him to give evidence against himself." An editorial in the Rutland Herald last week in July reviews these charges and others with relation to the same matter, and asks the bank commissioner whether he has ever had cause to criticize Senator Page's methods, first, regarding the evasion of State taxes, second, regarding misleading statements in his advertisements, third, regarding the guarantee by some of the bank's directors of funds invested outside Vermont. The Reformer states that I have been repeatedly asked to state the facts with relation to the methods of Senator Page, and have not replied. I have hoped that Senator Page would frankly state the facts with relation to all the matters referred to, and as to the position taken by the bank commissioner, which would certainly clear the banking department of any suspicion of negligence or favoritism with relation to the practices referred to, and would also assure the public that all such practices had been stopped, and would thus avoid any possible claim that the bank commissioner was making any statement for political purposes, but I am very jealous of the reputation of the banking department of Vermont, and am not willing that the people of the State should get a wrong impression as to the attitude of the bank commissioner with relation to illegal or improper practices by officers of any banks over which he has jurisdiction. This is my reason for answering the charges which have been made. I think it is fully as important that the people of the State should have confidence in the integrity and independence of the bank commissioner, as that any particular individual should be elected United States senator. I realize that the people of this State have a right to know what the attitude of the bank commissioner has been towards any improper or illegal practices of the banks, but I wish to have it plainly understood that during my term of office as bank commissioner, the money deposited in the Lamoille County Savings Bank & Trust company has been safe, and the bank has been solvent, and its condition at the present time is better, and the bank is stronger than at any time during the past six years.

CHARGES SUMMED UP

"Summing up the charges which have been made by the various newspapers, they are: first, six evasions, which I have seen, which reflect upon the credit of the banking department of Vermont."

"First, it is charged that Senator Page transferred bank stock which he owned to avoid taxation."

"Second, it is charged that the Lamoille County Savings Bank and Trust company, of which Senator Page is president, issued misleading advertisements with relation to the manner in which the money of its depositors was invested."

"Third, it is charged that some directors of the bank endorsed or guaranteed out of state loans by the bank in an amount very much larger than the law allows."

"Fourth, it is charged that the bank commissioner must have known of these practices, and if he did not correct them, failed in his duty as an officer of the State."

WHAT MR. WILLIAMS' STATEMENT REVEALS:

That it is made in defence of his position after general newspaper criticism; That the charges against Senator Page's banking methods are summed up as follows:

1. That Senator Page transferred bank stock which he owned and thereby avoided local taxation; Answered by specific instances, with the additional statement that the practice had persisted until the time of his most recent examination.

2. That the Lamoille County Savings Bank and Trust company, of which Senator Page is President, issued misleading advertisements with reference to the manner in which the money of its depositors was invested;

Answered by history of six years of alleged misrepresentation, persisting as late as 1915, with the additional statement which closes the document:

"The only reason it took so long to accomplish it as the attitude of Senator Page, and his persistent efforts to devise some way in which the bank might purchase out-of-state loans, and still advertise in such a way as to lead the people to think all the bank's deposits were invested in Vermont or on Vermont securities."

3. It is charged that some directors of the bank endorsed or guaranteed out-of-state loans by the bank in an amount very much larger than the law allows.

Answered by official correspondence, dated February 21, 1915 in which Mr. Williams called Senator Page's attention to the fact that the liability of Mr. McFarland and other officers of the bank must be reduced to the legal limit of \$10,000, which had not been done according to the rulings of the bank commissioner. Correspondence also shows that officers of the bank had been receiving commissions from Senator Page for placing and guaranteeing such loans.

In regard to misleading advertisements, the commissioner recites a categorical story of (1) investing depositors' money outside the state, (2) continuing the phrase "all loaned in Vermont," (3) a system of guarantee of out-of-state investments by the bank's directors, (4) continuing advertising which state that the bank did not look for investments which pay more than 6 per cent. and that it had no assets which were not absolutely good for face value.

Answer: That the bank, subsequent to October 25, 1915, carried loans paying 6 1-2 and 7 per cent, some of which developed substantial weakness, according to the bank commissioner's statement, but which, however, were guaranteed by the bank's officers for a commission paid by Senator Page.

"As to the first three charges I must answer in the affirmative."

"As to the fourth charge, I discovered the illegal acts; the misleading advertisements; the use of banks to evade taxation; that fear of the directors, including Senator Page, had incurred liabilities to the bank very largely in excess of the legal limit, which is \$10,000, and I acted in each case promptly after complete information, and caused all such practices to be abandoned after a good deal of effort, and I will state fully and frankly the facts with relation to all these matters, as they have existed during my term of office, and as they exist at the present time."

"I found that the Lamoille County Savings Bank and Trust company had been investing in real estate mortgages outside Vermont for several years, the amount at that time being something over one-quarter of a million of dollars and was advertising under the slogan 'All in Vermont.' I took up the matter with Senator Page, the president of the bank, and H. M. McFarland, the vice-president, and advised them that the advertisement, in my judgment, was misleading, in that it caused the people of Vermont to believe that the bank did not invest in out of State mortgages as many other banks were doing, but that it invested all of its funds in Vermont. I ascertained that two of the directors of the bank had guaranteed the amount of these out of State loans under an arrangement with Senator Page by which he paid them from his own pocket a commission for their guarantee, and he insisted that it was a perfectly proper thing to do, that it made the loans Vermont loans, and that the bank had a right under those circumstances to advertise that all its investments were made in Vermont either upon real estate loans or with two good Vermont names. I insisted that under the law the directors had no right to guarantee such loans in such amounts, and that the practice must be stopped, both as to guaranteeing the loans by the directors, and as to the form of the bank's advertisements; that the other directors whose indebtedness was excessive must reduce it to the legal limit, and was assured that I should have no cause for criticism in those matters in the future."

MR. SENATOR'S CRITICISM.

"Some two years later I noticed advertisements of similar character, answering John Senator's criticisms, and called the attention of Senator Page and Mr. McFarland to the agreement made two years before which I thought had not been honestly kept. I also discovered that the bank, at the request of Senator Page, was about to invest further in out of State mortgages and he had asked the treasurer to accept the indorsement upon such mortgages of a local corporation in which Senator Page and other officers of the bank were largely interested. I objected to this and wrote a letter to Senator Page stating my objections. He called for a conference upon the matter and I met him and Mr. McFarland and spent a day with them going over the matter fully. Senator Page insisted that their practices were right and ought to be allowed, and that the position which I took was preventing the bank from getting additional security. I took the position that the only right and proper thing for the bank to do was to observe the law which governed its investments, and that it was bad policy in any event for the bank to make out of State investments which they were not fully satisfied were absolutely sound and safe, and that when he induced his directors to guarantee out of State loans, paying them for the guarantee, he was offering an inducement to accept loans in which the bank might not otherwise invest, and that I should insist

that the bank's investments be made according to law. If the law was wrong he should take that matter up with the Legislature, but that I believed it was a very wise provision in the law which prohibited directors of a bank from borrowing from the bank, or becoming indebted to the bank in such amounts and under such circumstances as prevailed in that bank. Later, a very serious weakness developed in one line of out of State loans guaranteed by two directors, and Mr. McFarland frankly stated that the loans would not have been made if Senator Page had not paid the directors a commission to guarantee them. Mr. McFarland secured the bank against a possible loss on these loans. After several hours' discussion Senator Page finally said that he would comply with my request and that I should have no further cause for criticism, although he believed I was wrong in my position. From the first criticism which I made of the policies of the bank up to the present time, Mr. McFarland has always agreed that I was right in my position; that the policy of the bank had been wrong, and that he was very glad I was insisting in a change and would co-operate with me in every way possible to improve conditions and eliminate all bad practices, which he has faithfully done to the present time."

BANK STOCK TRANSFERRED.

"In the summer of 1913 I discovered that several State banks had apparently purchased in March, stock of other banks and national banks held by officers of those banks, and that shortly after April 1, a part of such stock was re-transferred to its former owners at the same price at which it had been purchased. I inquired into the matter and discovered that Senator Page had transferred a large amount of stock owned by him in various banks to various other banks shortly before the first of April and had received an agreement from the banks to which such stock was transferred that it would be returned to him on demand at the price of transfer, and the same transaction had taken place between various banks and the various officers and stockholders in other banks. I was convinced, as the result of my investigation, that these transactions were solely for the purpose of evading the payment of local taxes on such bank stock, and I notified all such banks that I did not think a bank chartered by the State should allow itself to be used for the purpose of evasion of taxes, and recommended that at once they require the seller to repurchase the stock or release the bank from its agreement to re-sell, and sent a circular to all the State banks calling their attention to the situation and making a similar recommendation. I found one bank which kept such stock, and was advised that the agreement had been returned to Senator Page and the bank owned the stock, about \$20,000. At my last examination of that bank I discovered that the bank had paid Senator Page the difference between the dividends received on the stock and five per cent. interest on the amount at which the stock was purchased, and an examination disclosed that the adjustment which I supposed had been made was not really made and that Senator Page still owned the bank stock although it had been held by the bank during all that time; had paid no local taxes, only paying the State tax. I immediately notified the officers of that bank that that condition must not continue; that the bank must either absolutely purchase that stock free from any ownership, control or interest in it by Senator Page, or return it to him, and that the only way in which such a transaction could lawfully appear was by the bank loaning the money to Senator Page and taking the stock as collateral. The stock was returned to Senator Page. Sometime last

fall my attention was called to an advertisement by the Lamoille County Savings Bank and Trust company which I thought was very misleading, and incorrectly stated the condition of the bank. I called the attention of the bank and Senator Page to the matter, and advised him that there were two statements in the advertisement which he must know were not proper. One, that the bank did not consider loans bearing more than six per cent. as safe conservative loans, and consequently did not go after such loans, and the other, that the bank had no assets which were not absolutely good for their face. Later I was assured by Senator Page in a conference I had with him that the advertising had been turned over to Mr. Culver, the treasurer, who would have entire charge of it and that he, Senator Page, should not interfere with it, and since that time I have had no occasion to criticize the advertisements and do not think there will be such occasion if Mr. Culver is to control the matter, as I consider him a very competent, reliable bank treasurer."

"In order that the people of the State may understand what my position was long before any political controversy arose, I make quotations from letters which I wrote to the bank and to Senator Page."

IMPROPER PRACTICE.

"In a letter dated July 13, 1912, to the vice-president of the bank I stated I might say in this connection, as I have said before, that the policy of your bank of requiring some of its directors to guarantee or endorse paper discounted is not a proper one, and I have expected that you have discontinued that practice. So far as endorsements and guarantees which have been given for paper now held by the bank, I have taken the position, which you know, that such guarantees and endorsements should not be released upon any of the papers held by the bank, but that the practice should be discontinued."

"In a letter to the vice-president, dated November 30, 1912, I said, 'I have just read the latest advertisement of the above bank in the Express & Standard and am somewhat surprised at some of the statements therein made, for although perhaps technically, these statements are correct, yet they are, I think, very misleading, I understand after my talk with yourself and Senator Page a year ago last summer. You will remember that you very frankly told me that you had overstepped the law in the matter of endorsements and guarantees of out of state loans and while you did not, I think, fully admit it, the result of your statement induced me to think that officers of the bank had been receiving what in law would amount to a commission for placing loans, although your method was such as possibly to avoid that charge. My understanding of the result of our conversation was that the endorsements and guarantees of loans by officers of the bank should stand as they were until they were either paid or so adjusted that the commissioner and the bank were satisfied to have the endorsements and guarantees released, that no more business of that character should be done by the bank; that the officers of the bank should reduce their obligations to the legal limit as soon as it could be done without disturbance to the affairs of the bank, and that the bank should abandon advertising that they made no loans outside the state."

SENATOR ASKS FOR CONFERENCE.

"As a result of this letter Senator Page asked for a conference, made the argument as I have stated above, and when I refused to change my rulings, faithfully agreed to comply with them."

dent of the Lamoille County Savings Bank and Trust company, dated February 21, 1914, I said:

"I examined the above bank February 15, and find that your liability and the liability of Mr. McFarland to the bank, has not been decreased since my last examination. You will remember that in the talk we had something over a year ago, I notified you that the liability of the officers of the bank must be reduced to the legal limit, namely, ten thousand dollars, as quickly as it could be done, and I find no progress has been made in that direction. In talking with Mr. McFarland about your plans for investment, he advised me that you had decided to buy western mortgages, but that they were to be guaranteed by the lumber company and that you and Mr. McFarland were to guarantee the lumber company. I advised Mr. McFarland, and now advise you that this cannot be allowed. It is only another method of accomplishing the same thing and continuing the same practices which I have objected to for the past four years and which are contrary to law, and I shall expect you to reduce the liability of yourself and see that the liability of the other directors are reduced to the legal limit, just as soon as it is possible to do so without loss to the bank."

MEETING IN NEW YORK.

"As a result of this letter, Senator Page asked me to meet him in New York for a conference. I replied that I could see no object of a conference, that the matter was perfectly plain, and no explanations were needed. He insisted upon a conference, and paid all my expenses to New York and return. After a long discussion, in which I refused to change my rulings, he again gracefully yielded, and said, 'You shall have no further cause for criticism.' He reduced his liability to the bank very soon to the legal limit, and the other directors also except where they had guaranteed out of state loans, which I refused to have released until the loans were sold, or I was satisfied they were absolutely good."

"October 25, 1915, I wrote Senator Page as follows:

"My attention has been called to the statements in two recent advertisements of the Lamoille County Savings Bank and Trust company, in one of which it is stated that the bank does not look for investments which pay more than six per cent., and in the other it is stated that the bank has no assets which are not absolutely good for the face value. I have not attempted to quote either of these advertisements verbatim, but in the case of the first one the impression is given that the bank has no investments which pay it more than six per cent., and in the latter one the impression is given that the bank's investments have been so carefully made that they have developed no weaknesses. Inasmuch as you have loans which pay you 7 and one-half and seven per cent., the first advertisement cannot state the situation correctly. In the case of the other advertisement, although I understand from you and Mr. McFarland that you have the guarantee of Mr. Knight and Mr. McFarland on certain loans which have developed a very substantial weakness, and I suppose you reason that because of those guarantees the bank will make no loss, that you are warranted in making the statement in the advertisement. I think the only case in which a bank could make the statement properly, would be where the investments had been made with such rare judgment and discretion that no weakness ever developed in any of them, but where as in your case, it is evident that the officers who had charge of making the loans in the bank, namely yourself and Mr. McFarland, as I understand it, made investments which later turned out to be poor, even though one of the officers of the bank guaranteed there should be no loss. I think the bank is not warranted in conveying to the public the impression that its officers have been so careful and used such good judgment as such an advertisement would indicate."

REASONS FOR DELAY.

"Please consider this matter in the light in which I have stated it, and I think you will realize that you are not justified in asking the people of the State of Vermont to select your bank above all others for the reasons indicated."

"He asked for a conference and assured me that the advertising for the bank had been turned over to Mr. Culver, the treasurer, and he would have nothing further to do with it, and said he did not realize he was doing anything improper in such advertising."

"As a result of the conference, letters and rulings of the bank commissioner during the past six years, the Lamoille County Savings Bank and Trust company has abandoned all the practices which have been criticized, and the only reason it took so long to accomplish it is the attitude of Senator Page, and his persistent efforts to devise some way in which the bank might purchase out of state loans, and still advertise in such a way as to lead the people to think all the bank's deposits were invested in Vermont or in Vermont securities."

"I have made this statement so that the depositors in our State banks may know the attitude which the bank commissioner takes towards illegal and improper practices by the banks over which he has jurisdiction."

"FRANK C. WILLIAMS."

"Bank Commissioner."

"Newport, VT., August 18, 1916."

THE ALLEN M. FLETCHER SENATORIAL CLUB
NORTHFIELD, VT.